



**California Public Employees' Retirement System
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AGENDA ITEM 5a

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Central Valley Fund Update
- II. PROGRAM:** Alternative Investment Management (AIM) Program
- III. RECOMMENDATION:** Information Only
- IV. UPDATE:**

In June 2006, the Investment Committee authorized a \$40 million commitment to the Central Valley Fund (the Fund).

The Fund invests in small businesses located primarily in the California Central Valley and contiguous areas of California. The Central Valley has traditionally been overlooked by other investors, and Staff believes the Fund is uniquely positioned to be a leading source of capital for private companies in the region. The investment is consistent with the AIM Program's strategy of investing in California's underserved markets. The Fund is still in the early stages of deploying capital. While performance information for such young investments is not meaningful, the Fund appears to be executing its stated strategy according to expectations.

Representatives from the Central Valley Fund will make a presentation to the Investment Committee regarding the Fund's activities. A copy of the presentation is contained in Attachment 1.

Staff and representatives from the Fund will be available at the Investment Committee meeting to answer questions the Investment Committee may have.

V. STRATEGIC PLAN:

Goal VIII, manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions and Goal IX, achieve long-term, sustainable, risk-adjusted returns.

VI. RESULTS/COSTS:

This agenda item is for information only.

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